

# Risk Management

The Company's Enterprise Risk Management ("ERM") framework continues to provide a simple and effective management process that aids business units across the organisation to identify and review risks and prioritise resources to manage those that arise. It also provides management with a clear view of the significant risks facing the Company and is used to support decision making and project execution, in turn helping to deliver better business performance.

The Enterprise Risk Committee ("ERC"), which is chaired by the Legal Director & Secretary and comprises management representatives from key business functions, has accountability for the ERM framework. ERC steers the implementation and improvement of the framework, reviews the Top 30 and emerging risks every quarter and reports the key risks to the Executive Committee every six months. Every year, the Audit Committee reviews the risk management process and the Board maintains an oversight of the Top Ten risks and other risk "hot spots".

The regular review and reporting of the Top Ten and Top 30 risks at the Board, Executive and management levels are essential processes to sustain a risk-informed and risk-aware culture in the organisation.

## Management of Key Risks

The Company takes proactive measures to manage the risks arising from its existing and growth businesses, as well as from the constantly changing business environment. Some key risks currently being managed are:

- The construction of the five major railway extension projects in Hong Kong is in full swing. There are also many improvement works on the existing network and new property development projects. The Company is fully committed to ensuring that these projects are delivered safely, during both construction and operation, on time, within budget and with the minimum unfavourable impact on society, the environment and the existing railway operations.
- The Company is taking steps to deepen its presence in the Mainland of China and overseas in the railway and property businesses while remaining committed to its Hong Kong core businesses. The Company is taking a prudent approach to enable its businesses both within and outside of Hong Kong to grow sustainably.

- To support its growth in Hong Kong, the Mainland of China and overseas in the coming few years, the Company has launched various initiatives to steer manpower planning, succession planning and training and development at all levels. The Company has developed functional training and development programmes at divisional levels to address specific needs as well as management development programmes at the corporate level to align the strategic focus of the teams and ensure staff members are prepared for the challenges of growth. In addition, to assure a high level of safety performance, the Company offers safety induction training to all new recruits and refresher safety training to existing staff to enhance/reinforce staff safety awareness.

## Continuous Improvement of the Risk Management Process

The ERM framework has been in operation since early 2006. We maintain a strong desire to improve our systems and tools through annual reviews with users, cross-industry benchmarking and experience sharing. We also engage independent consultants to review our existing framework and identify improvement initiatives. The key activities undertaken during 2012 included:

- Sharing and learning from the fifth UK ERM roundtable and the fourth HK ERM roundtable on best practice for governance of subsidiaries and enhancement of ERM process
- Participating in an enterprise risk management benchmarking exercise run by CoMET to identify better practices from other leading metro operators
- Engaging an ERM consultant to review and identify pragmatic improvement initiatives to further enhance the ERM framework
- Conducting regular meetings with our insurance broker for risk analysis

## Recognition of Achievement

The Company participated in an "International benchmarking of Enterprise Risk Management Practice in Metros" organised by CoMET recently. Among the 15 participating metro companies, CoMET ranked the Company with the highest risk maturity level and commended the Company for its clear objectives for and commitment towards ERM, with fully embedded and improving ERM practice.